

R277-116 RECEIVED FINAL APPROVAL BY THE UTAH STATE BOARD OF EDUCATION ON JUNE 5, 2009 AND IS SCHEDULED TO BE PUBLISHED IN THE JULY 1, 2009 UTAH STATE BULLETIN, SUBJECT TO A 30-DAY COMMENT PERIOD, WITH A FIRST POSSIBLE EFFECTIVE DATE OF AUGUST 8, 2009.

R277. Education, Administration.

R277-116. ~~[USOE]~~Utah State Board of Education Internal Audit Procedure.

R277-116-1. Definitions.

A. "Appointing authority" means the Board.

~~[A]B. "Audit" means [performance audits, including economy and efficiency audits and program audits or financial-related audits as outlined in GOVERNMENT AUDITING STANDARDS, Comptroller General of the United States, July 2007 (GAO-07-731G) revision which is hereby incorporated by reference, and available from the USOE Internal Auditor and at the Utah Attorney General's Office.]~~internal reviews or analyses or a combination of both of Utah State Board of Education programs, activities and functions that may address one or more of the following objectives:

(1) to verify the accuracy and reliability of USOE or Board records;

(2) to assess compliance with management policies, plans, procedures, and regulations;

(3) to assess compliance with applicable laws, rules and regulations;

(4) to evaluate the efficient and effective use and protection of Board, state, or federal resources; or

(5) to verify the appropriate protection of USOE assets;

(6) to review and evaluate internal controls over USOE accounting systems, administrative systems, electronic data processing systems, and all other major systems necessary to ensure the fiscal and administrative accountability of the USOE.

~~[B]C. "Audit Committee" means [the audit committee of the Board composed of the Chairman, Vice Chairman and three Standing Committee Chairs of the Board given the responsibility to determine the relative importance of audit requests, receive reports from the internal auditor, and release audit reports to Board members and other interested parties.]~~a standing committee appointed by the Board which shall consist of all members of the Finance Committee. The Chair of the Audit Committee shall be either the Board Chair or Board Vice Chair.

~~[E]D. "Board" means the Utah State Board of Education.~~

~~[D]E. "Internal Auditor" means [the Board's Internal Auditor who is direct staff, has a personal and confidential relationship to the Board, and who is appointed by the Board for the purpose of conducting performance audits, including economy and efficiency audits and program audits or financial-related audits as outlined in GOVERNMENT AUDITING STANDARDS. The Internal Auditor may conduct other auditing assignments as directed by the Board. The Internal Auditor cooperates and coordinates with the Audit Committee. The~~

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~~Internal Auditor's performance is evaluated by the Board or a committee of Board members.]~~person or persons appointed by the Superintendent with the consent of the Audit Committee and the full Board to direct the internal audit function for the Board and USOE.

~~[E]~~F. "LEA" means any local education agency under the supervision of the Board including [local]any sub unit of school districts, Utah Schools for the Deaf and the Blind, Utah State Office of Rehabilitation, charter schools, regional service centers, area technology centers and vocational programs.

G. "Superintendent" means the State Superintendent of Public Instruction, who is the Agency Head within the meaning of the Utah Internal Audit Act.

H. "Survey work" means an internal review of Board rules, statutes, federal requirements and a limited sample of an LEA's programs, activities or documentation that may give rise to or refute the need for a more comprehensive audit. The preliminary or limited information derived from survey work is a part of the ongoing audit process and may be provided as a draft to the Audit Committee, to the Board or to the Superintendent upon request.

~~[F]~~I. "USOE" means the Utah State Office of Education.

~~[G. "Yellow Book Standards" means the auditing standards outlined in the GOVERNMENT AUDITING STANDARDS (complete citation above).]~~

R277-116-2. Authority and Purpose.

A. This rule is authorized by Utah Constitution Article X, Section 3 which vests general control and supervision of public education in the Board, Section 53A-1-401(3) which allows the Board to adopt rules in accordance with its responsibilities, Section 53A-1-401(4) which directs the Board to adopt rules to promote quality, efficiency and productivity and to eliminate unnecessary duplication in the public education system, Section 53A-1-405 which makes the Board responsible for verifying audits of local school districts, Section 53A-1-402(1)(~~[f]~~e) which directs the Board to develop rules and minimum standards regarding cost effectiveness measures, school budget formats and financial accounting requirements for the local school districts, ~~[and by]~~Section 53A-17a-147(2) which directs the Board to assess the progress and effectiveness of local school districts and programs funded under the Minimum School Program and report its findings to the Legislature, and by Section 63I-5-101 through 401 which provides standards and procedures for the Board, as the appointing authority for the USOE, to establish an internal audit program.

B. The purpose of this rule is to outline the Board's criteria and procedures for internal audits of programs under its

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supervision.

R277-116-3. Audit Committee Responsibilities.

The Audit Committee shall:

A. determine the priority for survey work or audits to be performed based on recommendations from the Internal Auditor, Audit Committee requests or correspondence, other Board member requests, or USOE staff recommendations;

B. consent to the appointment or removal of the Internal Auditor.

C. review and approve the annual internal audit plan and budget;

D. review internal and external audit reports, survey work, follow-up reports, and quality assurance reviews of the Internal Auditor;

E. meet at each regularly scheduled Board meeting with the Internal Auditor to discuss ongoing audits, audit priorities and progress, and other issues;

~~[B]~~F. distribute drafts or preliminary versions of audits only to [other—]Board members, as requested, or auditees. Internal audits that have not been reviewed in final form by the Audit Committee[—and], the auditee, and the Board are drafts and, as such, are not public records;

~~[E]~~G. determine the distribution of audit findings in any or all stages or reports to other Board members as well as to other interested parties;

~~[D]~~H. review the findings and recommendations of the Internal Auditor and make recommendations for action on the findings to the Board[—]; and

I. evaluate the Internal Auditor at least annually in a formal evaluation process.

R277-116-4. Internal Auditor Authority and Responsibilities.

A. The Internal Auditor shall work closely with and receive regular supervision from the Superintendent.

~~[A]~~B. The Internal Auditor shall report[s directly to and is responsible solely to the Board, in cooperation with the Audit Committee] initially to the Superintendent. Following the Superintendent's response, the Internal Auditor reports to the Audit Committee and ultimately to the Board.

~~C. [The Internal Auditor shall have access to all records, personnel, and physical materials relevant and necessary to conduct audits of all programs and agencies supervised by the Board.]~~The Internal Auditor's work shall be determined primarily by a risk assessment developed by the Internal Auditor and approved by the

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Audit Committee at least annually. The risk assessment shall:

(1) consider public education programs for which the Board has responsibility;

(2) consider and evaluate which public education programs, activities or responsibilities are most critical to:

(a) student safety;

(b) student achievement;

(c) efficient management of public education resources; and

(d) the priorities of public education as determined by the Board.

D. The Internal Auditor shall meet with the Audit Committee or the Board, at the direction of either, to inform both the Audit Committee and the Board of progress on assigned audits and any additional information or assignments requested by the Audit Committee or the Board.

[B]E. The Internal Auditor shall conduct audits as [may be] recommended by the Audit Committee, and as directed by the Board, including economy and efficiency audits, program audits, and financial-related audits of any program, function, LEA, or division under the Board's supervision, or as otherwise directed by the Board.

[D]F. The Internal Auditor shall immediately notify the Audit Committee and the Board[~~in a timely manner~~] of any irregularity or serious deficiency discovered in the audit process or of any impediment or conflict to accomplishing an audit as directed by the Board.

[E]G. The Internal Auditor shall submit a written report to the Audit Committee and the Board of each authorized audit within a reasonable time after completion of the audit.

[F. The Internal Auditor shall review, upon the Board's direction, the implementation of recommendations or alternative actions taken as a result of an audit.]

H. The Internal Auditor shall maintain the classification of any public records consistent with Title 63G, Chapter 2, Government Records Access and Management Act.

I. Audit Committee members, Board members and USOE employees shall maintain information acquired in the audit process in the strictest confidence consistent with the Public Employees Ethics Act, Section 67-14-4.

J. The Internal Auditor shall have access to all records, personnel, and physical materials relevant and necessary to conduct audits of all programs and agencies supervised by the Board. All public education entities shall cooperate fully with Internal Auditor requests; The Internal Auditor is not required to issue subpoenas or make GRAMA requests under Section 63G-2-202 to receive requested information from public education entities.

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R277-116-5. ~~[Scope of Internal Audits]~~Audit Plans.

~~[A. An audit conducted by the Internal Auditor may include any or all of the following:~~

~~— (1) an examination of any Board-supervised program or entity records or financial books to determine the accuracy and completeness of fiscal affairs, the accuracy and reliability of financial statements and reports, and the adequacy and effectiveness of financial controls to properly and professionally record the acquisition, custody, and use of public funds;~~

~~— (2) an examination to determine whether program or entity administrators and staff have adhered to state law and Board rules;~~

~~— (3) an examination to determine if operations of a program or entity have been accomplished lawfully and efficiently; and~~

~~— (4) an examination to determine whether management control and information systems are adequate to guarantee compliance with the law and Board rules.]~~

A. An audit plan shall be prepared by the Internal Auditor and shall:

(1) be reviewed regularly by both the Superintendent and the Audit Committee;

(2) identify the individual audits to be conducted during each year;

(3) determine the adequacy and efficiency of the USOE's internal monitoring and control of programs and personnel;

(4) identify the related resources to be devoted to each of the respective audits; and

(5) ensure that audits that evaluate the efficient and effective use of public education resources are adequately represented in the plan.

B. The Internal Auditor shall submit the audit plan first to the Superintendent for review, next to the Audit Committee for review, modification, update, and approval. Each audit plan shall expressly state an anticipated completion date.

C. The Internal Auditor shall:

(1) ensure that audits are conducted in accordance with professional auditing standards such as those published by the Institute of Internal Auditors, Inc., the American Institute of Certified Public Accountants, and, when required by other law, regulation, agreement, contract, or policy, in accordance with Government Auditing Standards, issued by the Comptroller General of the United States;

(a) all reports of audit findings issued by internal audit staff shall include a statement that the audit was conducted according to the appropriate standards;

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(b) public release of reports of audit findings shall comply with the conditions specified by state laws and rules governing the USOE.

(2) report concerns to the Audit Committee or the Board that arise as the result of survey work or audits that necessitate a direct review of the Superintendent's activities or actions;

(3) report significant audit matters that cannot be appropriately addressed by the Audit Committee and the Board to either the Office of Legislative Auditor General or the Office of the State Auditor;

(4) report quarterly to the full Board those issues which have the potential of opening up the Board, Superintendent, or USOE to liability or litigation;

(5) conduct at least annually a risk assessment of the entire public education system and report the findings to the Audit Committee; and

(6) regularly attend all Board meetings.

KEY: educational administration

Date of Enactment or Last Substantive Amendment: ~~[August 7, 2008]~~ 2009

Notice of Continuation: September 6, 2007

Authorizing, and Implemented or Interpreted Law: Art X Sec 3; 53A-1-401(3); 53A-1-401(4); 53A-1-405; 53A-1-402(1)(~~f~~e); 53A-17a-147(2); 63I-5-101 through 401